

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA



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In the Matter of the Application of  
**GOLDEN STATE WATER COMPANY**  
(U 133 W) for an Order authorizing it to  
Increase Rates for Water Service by  
\$2,812,100 or 32.61% in 2008; by \$-  
178,700 or -1.51% in 2009; and by  
\$109,900 or 0.92% in 2010 in its Arden  
Cordova Customer Service Area.

A.07-01-009

A.07-01-010

A.07-01-011

A.07-01-012

A.07-01-013

A.07-01-014

A.07-01-015

And Related Matters.

**GOLDEN STATE WATER COMPANY'S (U 133 W)  
REPLY TRIAL BRIEF**

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## **I. INTRODUCTION**

As Golden State Water Company (GSWC) summarized in its Opening Trial Brief, there are basically two categories of requests that remain in dispute between the parties: (1) four labor positions, and (2) the majority of the capital projects/budgets in the four customer service areas that comprise the Coastal District (Ojai, Los Osos, Santa Maria and Simi Valley CSAs). The Commission has before it a detailed and comprehensive evidentiary record from which to resolve these disputed items.

GSWC justified its rate requests in its direct testimony and accompanying workpapers. Further, GSWC's rebuttal testimony is devoted to explaining in detail why each of the Division of Ratepayer Advocates (DRA) stated reasons for denying GSWC's requests are grounded on misunderstandings, misrepresentations of the facts, or poor engineering judgment. At the end of the day, GSWC has met its burden of proof that its requested rates are just and reasonable and in the public interest.

While DRA devoted almost 90 pages to its Opening Brief, unfortunately its tome is rife with copious misrepresentations. GSWC will address DRA's "arguments" below, citing to the evidentiary record to prove its case.

**II. THE EVIDENTIARY RECORD PROVES THAT GSWC'S REQUESTED CAPITAL PROJECTS ARE JUSTIFIED.**

GSWC will address DRA's arguments concerning various capital projects in the same order as DRA's opening brief.

**A. SISQUOC – FOXENWOOD SITE – WELL PUMP BACKUP POWER**

DRA argues that GSWC's only factual justification for this project is the risk of a power outage, which DRA believes to be remote. But DRA is wrong. GSWC presented its justification for the backup power project in its workpapers, at Exhibit GSW (SM) – 3, pages 81 – 92; in the Gisler Direct at Ex. GSW(all) – 8, page 87; and in the Gisler Rebuttal, Ex. GSW(all) – 22, pages 95 – 96.

DRA also argues that GSWC provided no support for the estimated project cost of \$165,000. But DRA is wrong. Support for the cost of the project was provided in the workpapers, in Exhibit GSW(SM)– 3, pages 87 – 90. Specifically, page 87 provides a summary of the costs, such as Construction, Engineering, Overhead and Contingency. Page 88 provides further details of the Engineering Costs, and pages 89 and 90 provide details of the Construction Costs.

The evidence shows that GSWC's customers need this project, and that GSWC's cost estimate is reasonable. GSWC's request should be granted.

**B. NIPOMO - LA SERENA EROSION CONTROL AND SITE PAVING**

DRA would like the Commission to believe false allegations about the erosion control and site paving projects that DRA knows are **not** true. At pages 7 and 8 of its Opening Brief, DRA recites: “These two capital projects are part of the LSPIP [La-Serena Plant Improvement Project]. In D.00-12-063, the Commission only approved three projects for the La Serena Plant, two in GSWC’s 2000 capital budget and another in the 2001 capital budget. All three of these projects total approximately \$181,000 and have been completed as part of the La-Serena Plant Improvement Project. Since D.00-12-063, although the Commission has not approved any other capital project in the LSPIP, GSWC has booked and closed to the Santa Maria Plant account, approximately \$3,701,215 in capital projects none of which have been reviewed and authorized by the Commission.” “By illegally included [sic] the LSPIP capital investments of nearly \$4 million in rate base without prior Commission review and approval, GSWC has *de facto* improperly burdened its ratepayers in violation of Section 451. DRA recommends that the Commission no longer condone this behavior and instead initiate an OII.” As shown below, DRA’s allegation is false.

Indeed, these project costs are **not** yet included in rate base for ratemaking purposes. That is exactly what GSWC is seeking in this Application. GSWC presented its workpapers and direct testimony on these projects, and carried its

burden of proof on these projects. The facts are it is GSWC's investors who have borne the burden and risk of GSWC's approximately \$3,701,215 investment in the Nipomo - La Serena Improvement Projects, awaiting GSWC's opportunity to present a full GRC for Region I to the Commission. It is GSWC's ratepayers who have reaped the full benefits of the project even though it is not yet included in rates. DRA knows that only ratebase additions approved by the Commission in a GRC are included in rates. As GSWC witness Mr. Gisler testified on direct testimony, the reason that no other projects in the LSPIP have come before the Commission yet for approval is that GSWC has not been able to file a comprehensive rate case since D.00-12-063. GSWC Gisler, Ex. GSW(All) – 8 , pages 7 -9.

This GRC is the Commission's opportunity to review the expenditures in the Nipomo - La Serena Improvement Project. DRA is fully aware of GSWC's expenditures pertaining to these projects and reviewed them as part of this GRC. Why the DRA witness chose to justify opposition to this project based on misrepresentations of fact instead of engineering judgment of the need for the project is for the Commission to evaluate when weighing each side's testimony.

GSWC acted prudently when it expended funds needed to improve and protect the water supply of the Santa Maria System, even if it had to wait years to

file for recovery of the funds in a GRC proceeding. Not reacting to the needs of its customers, as DRA seems to recommend, would be imprudent.

***C. MISCELLANEOUS BOWL REPLACEMENTS***

GSWC is requesting capital recovery of \$213,000, \$223,000, and \$234,000 respectively for Test Years 2007 and 2008 and Escalation Year 2009.

Correspondingly for the same years, DRA is recommending \$76,000, \$86,000 and \$90,000. The requests are for emergency replacement of pumps and motors; column extensions required due to declining pumping levels; replacing pumps and motors operating at below acceptable efficiencies. DRA alleges that “although GSWC claimed its requests mentioned above are based on trending past expenditures for these projects, the Application and accompanying prepared testimony did not present any supporting data documenting past expenditures or the trending methodology used.”

Not true. GSWC did provide a factual basis in its direct testimony. GSWC Gisler, Ex. GSW(All) – 8, pages 88, 95 and 101. DRA also cites GSWC’s response to its data request (DRA(All)-17, AMX41), wherein GSWC provided the historical spending for the last ten years. Indeed, the historical 10-year average without inflation is \$145,200 and the 5-year average is \$155,900, both higher than DRA’s recommendation.

Moreover, DRA “played” with the historical data to skew the result. From the GSWC data response, DRA used the last five years of cost data; adjusted for an abnormally high and out-of-trend 2003 expenditure of \$288,209; applied the appropriate inflation factors; and arrived at its estimated amounts for the future rate cycle years. DRA then halved its estimates based on GSWC’s purpose for these funds. DRA’s methodology is unfounded and unreasonable. DRA’s total recommendation for 2007, 2008 and 2009 is less than the amount needed to cover emergency repairs in 2003 alone. DRA arbitrarily “adjusted for” what it called “an abnormally high and out-of-trend 2003 expenditure of \$288,209.” This type of emergency is exactly what these funds are intended to cover. DRA’s recommendation should be disregarded.

**D. WOODMERE PLANT-BACKUP POWER**

DRA recommends disallowing all of GSWC’s request of \$559,000, alleging that GSWC failed to support its need for backup power “with data that showed its request as reasonable and justified.” To the contrary, GSWC did provide convincing evidence of the need for this backup power project. *See* GSWC Gisler direct testimony, Ex. GSW(All) – 8, page 100; Workpapers at Ex. GSW(SM) – 3, pages 206-212.

Moreover, DRA cites data request AMX-36 (Ex. DRA(All)-17) as evidence that GSWC could not support its estimate of how soon water would be depleted from the system in the case of a power outage. To the contrary, GSWC's response to question 3 of Data Request AMX-36 (Ex. DRA(all)-17) calculates the exact depletion time that DRA was asking about.

Reasonable and prudent efforts must be taken to supply ratepayers with water even if during or after a power outage. GSWC's requested project is reasonable and should be allowed.

*E. ORCUTT – INCREASED CAPACITY FOR WELL AND RESERVOIR*

GSWC seeks funds to increase the capacity of both the Orcutt Well and the Orcutt Hill Reservoir. DRA does not think GSWC needs such additional capacity, but DRA is wrong.

With respect to increasing the capacity of the well, DRA believes that "GSWC has not proven that existing customers are experiencing a water supply shortage." But GSWC did provide a factual basis in the record as follows:

GSWC Gisler direct testimony, Ex.GSW(All) – 8, page 94; Workpapers, Exhibit GSW(SM) – 3, pages 155-178; GSWC Gisler rebuttal, Ex. GSW(All) – 22, page 100.

Moreover, GSWC has based its analysis and request on current information that is available. DRA cites GSWC's response to data request AMX-



31 (DRA(All)-17), wherein GSWC submitted an excerpt of the 2004 “Rice Ranch Water Facilities Evaluation.” This two page excerpt of the Evaluation contained all the information that was needed for DRA to calculate the supply surplus in the Orcutt system. But DRA chose to ignore this current data. In fact, the 2004 Rice Ranch Evaluation was submitted to DRA twice during this proceeding, both as part of the response to data request AMX-31 (DRA(All)-17) and as part of Mr. Gisler’s rebuttal testimony. When the analysis is done correctly, it can be seen that the Orcutt system needs additional water supply.

With respect to the new reservoir, DRA objects to increasing its capacity, arguing that GSWC has failed to prove that current storage needs are insufficient. Again, DRA is wrong. GSWC presents a cogent argument for increased capacity in its direct case, GSWC Gisler, Ex. GSW(All) – 8, page 95, and Workpapers, Ex. GSW(SM) – 3, pages 179-187; and refutes DRA’s argument in its rebuttal, GSWC Gisler, Ex. GSW(All) – 22, pages 104-109.

More troubling, at page 24 of its Opening Brief, DRA and its counsel violate the simplest rules of practice and canons of ethics and attempt to – admittedly – introduce new evidence through its brief. DRA states: “At the hearing, DRA witness M. Aslam was prevented from correcting his table of maximum day supply in the Santa Maria Report at p. 4-31. DRA would like to

take this opportunity to present the correct table which is based only on the 1995 Orcutt Master Plan data, as follows:" DRA Opening Brief at 24.

Clearly, DRA is attempting to circumvent a ruling made by the Administrative Law Judge during the evidentiary hearings, and is trying, nonetheless, to get "information" that is not in evidence before this Commission. GSWC objects to this portion of DRA's brief and moves to strike the affected portions. The Commission must strike the inadmissible table on page 24 and all references to and discussion of the table from the pages of DRA's Opening Brief.

*F. IMPROVEMENTS TO LEWIS LANE ELECTRICAL*

GSWC has already discussed the need for this project in its Opening Brief. One misrepresentation made by DRA in its Opening Brief, however, must be addressed. DRA alleges at page 29 that "On rebuttal, GSWC for the first time presented a chart claimed as provided by the "California Waterworks Standards (Title 22 CCR, Div 4, Chap 16)" and attached as Exhibit 7." DRA Opening Brief at 29. That allegation is patently false. GSWC originally provided this chart in its direct case Workpapers, at GSWC Ex. GSW(LO) – 3, pages 152 – 154.

*G.     CUESTA BY THE SEA LOOP CLOSURES*

In its opening brief, DRA continues to recommend disallowance of the majority of the cost of this project on the basis that “GSWC failed to support its claims with any data.” DRA Opening Brief at 31. DRA is wrong. GSWC presented supportive data in its direct case in its Workpapers, GSWC Ex. GSW(LO) – 3, pages 164 – 183, and in the direct testimony of its witness Mr. Gisler, GSWC Gisler, Ex. GSW(All) – 8, page 56.

Moreover, Mr. Gisler responded to DRA’s analysis of this project in his rebuttal testimony. GSWC Gisler, Ex. GSW(all)-22, pages 30 – 39. In its opening brief, DRA attacks Mr. Gisler’s rebuttal by incorrectly alleging that “[w]hile GSWC presents a breakdown of its project estimate in rebuttal, it fails to explain why this information could not have been provided at the time its Application was filed.” DRA should look at GSWC’s Workpapers. GSWC provided a breakdown of its projected cost estimate when it filed this Application, in its Los Osos Workpapers, GSWC Ex. GSW(LO) – 3, page 169.

GSWC has proven the need and cost of this project, and GSWC’s request should be allowed.

*H.     TWO INTERCONNECTIONS WITH LOS OSOS COMMUNITY SERVICES*  
*DISTRICT*

As GSWC explained in its opening brief, the sole source of water supply for the Los Osos system is from the Los Osos Groundwater Basin. But there are significant basin-wide water quality issues that present challenges to sustainable water supply from the basin – nitrate contamination and seawater intrusion. One of several things GSWC is doing to address these issues is to establish two interconnections with the Los Osos Community Service District (LOCSD). These interconnections will provide the necessary operational flexibility to shift pumping patterns from the lower zone, where seawater intrusion is occurring, as well as to shift pumping from the upper zone wells that may be impacted by nitrate contamination. GSWC Gisler, Ex. GSW(all)-8, pages 61-62; GSWC Workpapers, Ex. GSW(LO)-3, pages 203-247.

In its opening brief, DRA implies that GSWC's request for this project is unclear: "GSWC requests two amounts of \$78,000, (is this for a different year than the second number?) and \$145,000 in 2008 for the costs of providing two interconnections" with LOCSD. DRA Opening Brief at 35. But the record is clear on what GSWC is requesting. *See* ALJ DeAngelis RT at 806-07. It's obvious from the record, including GSWC's direct testimony and workpapers, that there are two interconnections and that each interconnection has its own budget. DRA

proselytizes that “Golden State should not be awarded for attempting to flout the Commission’s authority,” but actually its DRA that should be cautioned about repeatedly misstating the record.

DRA takes one step further in its opening brief and charges that GSWC is “obstructing the GRC process.” DRA Opening Brief at 35. To support this rather dangerous allegation, DRA states that when it “requested a copy of the [Interconnection Implementation] Plan and any related amendments or supplements; a reference to Commission approval of the Plan; and a copy of the Judgment, on March 2, 2007 GSWC responded only by stating that it “has not entered into an Interconnection Implementation Plan with the Los Osos Community Services District yet...” DRA Opening Brief at 35-36.

GSWC is not obstructing the GRC process. GSWC responded truthfully to DRA’s data request. GSWC had not and still has not entered into an Interconnection Implementation Plan with the Los Osos Community Services District. And for obvious reasons – GSWC is awaiting budget approval for the two interconnections from the Commission in the final decision that will issue in this matter.

GSWC explained its proposed sharing of interconnection project costs in its Workpapers, Ex. GSW(LO) – 3, pages 203 – 247; in GSWC Gisler’s direct testimony Ex. GSW(all) – 8, pages 61 – 62; in GSWC’s data request response to

DR AMX-11, Ex. DRA(all) – 12;; and during the hearings, GSWC Gisler, RT at 812-13.

Not one to give up, DRA falsely alleges that “But no data specifying the dollar amount of GSWC’s share of the project costs has been offered during this proceeding.” DRA Opening Brief at 36. DRA is wrong. As stated in Exhibit DRA (all) – 12 (GSWC’s response to data request AMX-11), “The information on Page 218 is part of a proposal by the Wallace Group to provide engineering services related to the design of the two Los Osos interconnections. Please see AMX-12, (the proposal covers pp 214-218). The table outlines an improvement program that Wallace and the LOCSD are undertaking. The inter-ties are part of that program; Contract 5 – Project 10, and Contract 13 – Project 10. The cost estimation presented on page 208 reflects GSWC’s share of the costs.” Exhibit GSW(LO) – 3, page 208 presents GSWC’s share of the cost of the 10<sup>th</sup> Street Interconnection; Exhibit GSW(LO) – 3, page 218 provides an engineering proposal for design of the two interconnections; and Exhibit GSW(LO) – 3, page 231 presents GSWC’s share of the Nipomo-Santa Ynez Interconnection.

DRA next tries to argue that “GSWC provided no supporting information regarding the hourly rates and time estimates.” DRA Opening Brief at 39. DRA is wrong. GSWC provided information regarding hourly rates and time estimates in Exhibit DRA (all) – 12, which states, “Our estimates are based on our

professional engineering experience and our firsthand working knowledge gained over the last decade of preparing plans, specifications, and performing project management as well as hands-on field experience gained through designing and constructing water main installation projects. Our Material and Labor estimates are based on historical data for projects of similar size and complexity and reflect a level of effort, in terms of man-hours, that take into consideration traffic control requirements, storm water pollution control measures, staging area, site access, and many other aspects of constructing a pipeline project.”

GSWC has carried its burden of proof justifying the need and cost of the interconnections with LOCSD. The Commission should grant GSWC’s rate request.

Lastly, DRA counsel Mr. Lee wrote Administrative Law Judge DeAngelis on August 10, 2007, objecting to an August 3, 2007 letter sent to DRA and ALJ DeAngelis by the Los Osos Community Services District. Mr. Lee states that LOCSD’s letter is “objectionable, untimely, and self-serving.” But LOCSD’s letter is none of those things.

To begin, since this Application was filed, the Commission has included in every public notice in this proceeding an invitation to the public to submit “written public comment” on the Application. No deadline for public comment

has ever been established in such notices. Indeed, the public notices state that public comment “is very much desired by the Commission, . . . will become part of the formal correspondence file of the proceeding and will be circulated to the Assigned Administrative Law Judge.” Surely DRA and Mr. Lee do not want to deprive LOCSD, a public agency, of the same right to submit public comment that was afforded dozens of others who have written the ALJ since this proceeding began. LOCSD’s letter is not objectionable nor untimely, and GSWC assumes that it will become a part of the formal correspondence file in this Application.

With respect to whether the letter is self-serving, that, too, is no different from the other letters the Commission has received in this case. Indeed, the June 28, 2007 letter of Kathy Staples, Exhibit QM-1, is surely “self-serving,” as DRA interprets that concept. GSWC trusts that the Commission is capable of providing appropriate and due consideration to the comments provided by the Los Osos Community Services District in its August 3<sup>rd</sup> letter.

*I. ROSINA TREATMENT FACILITY IMPROVEMENTS AND MAIN EXTENSIONS*

As GSWC stated in its opening brief, these interrelated projects are designed to provide GSWC with the operational flexibility to deal with the nitrate contamination and seawater intrusion problems relating to the Los Osos



Groundwater Basin. GSWC Gisler, Ex. GSW(all)-22, pp. 68-78. The proposal to reactivate the Skyline Well and to treat it for nitrate has the potential to reduce pumping from the lower zone of the basin. In addition, the main extensions from the wells will provide GSWC with the opportunity to blend water from different wells to reduce levels of nitrates and total dissolved solids. These projects are clearly in the ratepayers' best interests.

In presenting its arguments against this project in its opening brief, DRA demonstrates that it does not have the expertise to properly evaluate this project. DRA does an adequate job of summarizing these projects and pointing out the water quality issues that will be addressed by these projects, yet DRA recommends as an alternative to the nitrate treatment and pipelines to facilitate blending that GSWC drill a new well at a cost of what DRA estimates to be \$1,270,000. DRA Opening Brief at 43. What DRA fails to consider is the probability that a new well drilled in the same basins as the Rosina Well or Pecho Well will experience the *same water quality issues* as the existing Rosina and Pecho Wells. DRA's scenario would result in the ratepayers being burdened both by the cost of a new well plus the costs of nitrate treatment and blending.

DRA further demonstrates its lack of understanding of the real issue, which is water quality not cost estimates, when it states on page 42 of its Opening Brief that it "questions the materiality of this Nitrate chart, when it

shows the nitrate levels at the Pecho Well has never gone above the MCL of 45 mg/L.” Clearly DRA does not understand the seriousness of violating the Nitrate MCL.

GSWC’s request for this project should be allowed.

*J. REBECCA PLANT IMPROVEMENTS*

The parties are \$78,000 apart in recommending what the Commission should allow for this capital project. In trying to sway the Commission to its point of view, DRA resorts to its standard line in its opening brief: “DRA found an absence of any data support for GSWC’s request of rate recovery for the project costs of \$186,000.” DRA Opening Brief at 50. And again, DRA is mistaken. GSWC did provide a factual basis in the record to support its capital project request, as follow: GSWC Gisler, Ex. GSW(All) – 8, page 106; Workpapers, Ex. GSW(SV) – 3, pages 58-63; and GSWC Gisler, Ex. GSW(All) – 22, pages 113-116.

Moreover, DRA uses this project as support of its unwarranted request that the Commission “should include in the Order Instituting Investigation examining and reversing the rate impact of GSWC including \$38,000 in CWIP because it is unreasonable and unjustified to impose rate burdens for a project

that never materialized.” DRA Opening Brief at 49-50. This passage in DRA’s Opening Brief was the first time GSWC heard anything about such an OII.

Based on the evidentiary record in this proceeding, it is clear that an OII is completely unwarranted. Furthermore, during settlement negotiations, GSWC had talked at length with the DRA analyst, the Project Manager and the two Program and Project Supervisors regarding GSWC’s longtime use of CWIP and the parties have stipulated to a review of GSWC’s regulatory accounting practices regarding CWIP. For DRA and GSWC to willingly agree in the Stipulation to an independent audit of GSWC conducted by an audit firm selected by DRA, on the one hand, and then for DRA to sandbag GSWC by requesting in its legal brief that the Commission open an OII against GSWC, is an inappropriate use of DRA’s authority. Or, at best, a disingenuous scare tactic by DRA.

GSWC does not believe it has done anything wrong with respect to its use of CWIP. Indeed, based on GSWC’s review of its use of CWIP, GSWC strongly believes that it is more likely that GSWC’s ratepayers are receiving a **benefit** from GSWC’s investment in CWIP, rather than being burdened as DRA suggests. Yet GSWC believes that DRA’s agreement to an independent audit as outlined in the Stipulation is the appropriate way to resolve this issue.

***K.     INCREASE IN RUNKLE CANYON STORAGE TANK CAPACITY***

As GSWC stated in its opening brief, GSWC seeks funds to increase the capacity of the Runkle Canyon Storage Tank being built by a developer. GSWC's estimate of its water storage needs takes into account the need for redundant storage for peak hour, fire flow and emergency demand in the lower pressure zones of the Simi Valley System. Since the reservoir is being built at the highest elevation in the Simi Valley system, it will provide operational storage, fire protection and emergency storage for customers throughout the system, in all pressure zones.

DRA complains that it "was provided no supporting data proving GSWC's various claims." DRA Opening Brief at 53. But that is not true. GSWC did provide a factual basis in the evidentiary record, as follow: GSWC Gisler, Ex. GSW(All) – 8, page 107; Workpapers, Ex. GSW(SV)-3, pages 76-86; and GSWC Gisler, Ex. GSW(All) – 22, pages 119-125. GSWC has carried its burden of proof.

***L.     FIRE HYDRANT REPLACEMENTS***

As GSWC witness Mr. Gisler testified on direct, GSWC seeks a capital budget of about \$27,000 per year to replace four-inch wharf head fire hydrants and other obsolete fire hydrants located within the older sections of the Simi Valley distribution system with new six-inch steamer hydrants. The replacement

of these hydrants increases firefighting capabilities. GSWC Gisler, Ex. GSW(all)-8, page 108.

Complaining that GSWC has failed to prove that there are any existing hydrants within the Simi Valley distribution system that are obsolete, DRA rejects GSWC's capital request and recommends that the Commission allow a budget of only \$3,000 per year. DRA Opening Brief at 58. Putting aside for the moment the "logic" behind recommending a budget too insignificant to even replace one obsolete fire hydrant in the distribution system, GSWC did fully justify its capital request. See GSWC response to Data Request AMX-41, which is in evidence as DRA(all)-17.

The Commission should grant GSWC's capital budget requests for fire hydrant replacement programs.

***M.     SERVICE LINE REPLACEMENTS***

As GSWC witness Mr. Gisler testified on direct, GSWC has identified an area within the Simi Valley system that is comprised of 30-year old plastic service lines that have exceeded their useful life and are now leaking with regularity. In this area, 30 service line leaks and failures have been repaired in the past nine years. GSWC seeks a capital budget to replace all of the original 30 year old plastic service lines in this area of the system, at the pace of 45 service

lines per year for the next three years. GSWC Gisler, Ex. GSW(all)-8, 108-09; Workpapers, GSW(SV)-3, pages 87-102, 238-253.

DRA apparently would rather saddle the ratepayers of this area of the Simi Valley system with the hazards of line breaks and failures, as DRA recommends total denial of this project. DRA Opening Brief at 58. Indeed, DRA recommends that rather than replace the 30-year old plastic service lines, GSWC should simply “repair” those lines whenever they leak, believing that to be most cost-effective. DRA Opening Brief at 59.

DRA’s analysis of this capital project misses the mark. The Commission should support GSWC’s proactive approach to replacing “aging infrastructure” – outdated 30-year old plastic service line on a regular, planned schedule rather than only when it breaks and customers suffer.

*N. CRATER TANKS*

GSWC seeks funds for the Crater Tank removal and site razing in the Simi Valley district. GSWC Gisler direct testimony, Ex. GSW(all)-8, page 114; Workpapers, Ex. GSW(SV)-3, pages 126-135. DRA recommends a drastic cut in the amount GSWC seeks. But as was made clear in the cross-examination of DRA witness Mr. Aslam, RT at 920-945, DRA’s basis for reducing GSWC’s request is faulty. Rather than analyze the whole project that GSWC proposes,

DRA offers an estimate based on less than the entire scope of the work necessary to remove the tank and restore the site. DRA Aslam, Ex. GSW(all)-32; GSWC Gisler, Ex. GSW(all)-22, pages 125-128.

DRA then shopped its “mini” project to two “tank demolition” vendors that the DRA witness found on the internet during a Google search. Indeed, DRA witness Mr. Aslam testified that he found hundreds of such vendors during his internet search but decided to just randomly choose two vendors to follow up with. DRA Aslam, RT at 926-930. One vendor was located in Lodi, California (Jim Thorpe Oil, Inc.). The other vendor was located in Kentucky. DRA Aslam, Ex. GSW(all)-32.

Based on the evidentiary record in this matter, DRA knows that its recommended capital budget of \$54,000 is insufficient for the entire scope of the project GSWC proposes. In fact, once confronted with the owner of Jim Thorpe Oil, Inc.’s signed statement indicating that the DRA witness “misled me” as to the scope of the project, DRA concedes: “Jim Thorpe is irrelevant and immaterial to the ratemaking issue in this proceeding.” DRA Opening Brief at 62. So DRA now shifts direction and attacks GSWC’s request by questioning the reasonableness of GSWC’s project estimate. DRA Opening Brief at 63.

DRA admits that the project cost was estimated by the firm of CH2M Hill. DRA could not cite any problems with the estimate, but rather simply alleges

that GSWC has not proven to DRA's satisfaction that the estimate is reasonable. What more can DRA want? Every element of the estimate is provided in the Worpapers accompanying the Application, Ex. GSW(SV)-3, pages 126-135. And the estimate was prepared by the nationally renowned engineering firm of CH2M Hill. DRA resorts to asking the Commission to conclude that CH2M Hill's estimate is unreasonable and therefore should be rejected, Brief at 63, even though DRA can find no mistake in the derivation of that estimate.

DRA's ardent opposition to this capital project seems like yet another example in this proceeding of simple bias against a GSWC proposal as opposed to an honest intellectual disagreement between two knowledgeable engineers based on the facts. The Commission should disregard DRA's recommendation and grant GSWC's capital budget proposal for the Crater Tank project.

*O.     NILES STUDY UPGRADES AND IMPROVEMENTS*

GSWC proposes upgrades and distribution improvements per the Niles Study in the Simi Valley district. Problems relating to the pressure of the water received through the interconnection with Calleguas MWD have arisen and must be remedied. In addition, the two Niles projects will optimize the amount of groundwater that can be produced in the Simi Valley system. The optimization of groundwater production will reduce purchased water expenditures and



increase system reliability. GSWC Gisler, Ex. GSW(all)-8, pages 114-115; Workpapers, GSW(SV)-3, pages 135-212; GSWC Gisler, Ex. GSW(all)-22, pp. 128-132.

DRA recommends disallowing both improvement projects, arguing that GSWC's request is "principally to achieve a TDS level of 500 mg/L in the system water." DRA Opening Brief at 64. But GSWC's rebuttal through Mr. Gisler disproves each of DRA's contentions: the target TDS level has been achieved for many years; the proposed Niles improvements are necessary to fully utilize the existing facilities and preserve groundwater rights; and the VFD pumps have been in operation at the Niles plant continuously since 1999. GSWC Gisler, Ex. GSW(all)-22, at pages 128-132.

GSWC's budget for these related projects should be granted.

***P. OJAI CSA WELLS AND MAIN REPLACEMENTS***

While appearing to support the testimony of the Ojai City Manager, DRA nonetheless has recommended complete disallowance of GSWC's requests to replace the pumps on the Gorham and San Antonio No. 4 Wells. But the evidence supports GSWC's requests. GSWC Gisler, Ex. GSW(all)-8, pages 71-72, 83; Workpapers, GSW(OJ)-3, pages 117-125, 213-223. The data on the Gorham Well pump shows that it is currently operating inefficiently and as a result the

well is exhibiting signs of reduced specific yield. Data indicates wear on the pump bowls, which results in inefficient operation, increased cost and reduced production. The pump needs to be replaced. So, too, is the case with the San Antonio No. 4 well. GSWC Gisler, Ex. GSW(all)-22, pp. 84-90.

DRA has also quibbled with GSWC's plan for minor main replacements in Ojai. GSWC witness Mr. Gisler has testified the these funds are needed to replace sections of waterline as a result of failure. Many of the water mains in Ojai are old steel or cast iron pipe and due to age, are subject to leaking. The budgeted amount would provide for six to twelve minor main replacements in the Ojai CSA each year, which is typical for Ojai in a single year. GSWC Gisler direct, Ex. GSW(all)-8, p. 77.

To be sure, the City of Ojai testified that it supports efforts to reduce the incidence of water main breaks. Ojai Kersnar, RT at 652-53; Ojai Kersnar, Ex. OJ-1; Ex. OJ-2. The Commission should allow GSWC the capital budget it needs to operate and maintain the Ojai CSA.

### **III. CONCLUSION**

Throughout its Opening Brief, DRA has stated GSWC has failed to meet its burden of proof. For example, on page 39 when addressing the 10<sup>th</sup> Street and Nipomo-Santa Ynez Interconnection with LOCSD, DRA states "While GSWC

may opine that “[o]ur Material and Labor estimates are based on historical data for projects of similar size and complexity, it has failed to prove such is the case.” Then on page 51 when addressing the Simi Valley Rebecca Plant Improvements, DRA states “It should also be noticed that the GSWC’s estimates for \$186,000 as listed in its workpapers were prepared on or before October 10, 2006 whereas the Tesco Controls Inc. estimates are dated April 3, 2007. This shows that GSWC worked backward after the fact to justify its cost estimates of \$186,000 when they were challenged by DRA, and therefore lack credibility.” Then on page 61 when addressing the Crater Tanks, DRA states “The record is riddled with curious lacunae of proof for GSWC’s claims. Further, no data was included in any data response or Workpapers to prove the CH2M HILL methodology and its estimates were reasonable or justified.”

When GSWC prepares an estimate based on historical data, DRA claims its insufficient to meet its burden of proof. When GSWC obtains an estimate from a company that specializes in its field to support its estimate, DRA states it lacks credibility. When GSWC uses a professional engineering company that is well respected in its field, DRA states the record is riddled with “curious lacunae” of proof. GSWC knows that the Commission will rely on the complete evidentiary record and not DRA’s blanket assertions to determine whether GSWC has met its burden of proof.

Once the evidentiary record is considered, it is clear that GSWC has carried its burden of proof in this proceeding. GSWC's rate requests should be granted.

Dated: August 17, 2007

Respectfully submitted,

Patricia A. Schmiede  
Law Office of Patricia A. Schmiede

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**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a copy of **"Golden State Water Company's Reply Trial Brief"** on all known parties to A.07-01-009, et al., by sending the entire document as an attachment to all parties who provided electronic mail addresses to the Commission, as follows: [rmd@cpuc.ca.gov](mailto:rmd@cpuc.ca.gov); [cwl@cpuc.ca.gov](mailto:cwl@cpuc.ca.gov); [vcc@cpuc.ca.gov](mailto:vcc@cpuc.ca.gov); [flc@cpuc.ca.gov](mailto:flc@cpuc.ca.gov); [snr@cpuc.ca.gov](mailto:snr@cpuc.ca.gov); [jkersnar@ojaicity.org](mailto:jkersnar@ojaicity.org); [kstaples@verizon.net](mailto:kstaples@verizon.net); [enriqueg@lif.org](mailto:enriqueg@lif.org); [wdmiley@aol.com](mailto:wdmiley@aol.com); [kcouturie@pobox.com](mailto:kcouturie@pobox.com); [kswitzer@gswater.com](mailto:kswitzer@gswater.com); [jgaron@gswater.com](mailto:jgaron@gswater.com); [rkmoore@gswater.com](mailto:rkmoore@gswater.com) ; and by mailing a properly addressed copy by first-class mail with postage prepaid to: ALJ DeAngelis, California Public Utilities Commission, 505 Van Ness Avenue, San Francisco, California 94102.

Executed on August 17, 2007 at San Rafael, California.

\_\_\_\_\_/s/\_\_\_\_\_  
Patricia A. Schmiede